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How to increase profitability of Golf Industry in Lisbon?

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Abstract

The golf industry based in the Lisbon region has been suffering from decreased revenues from some years now, and the goal of this paper is to identify the roots of this problem and to devise possible ways to address it. Based on financial analysis, comparisons with other relevant golf regions in Portugal and Europe, interviews to field experts and a survey to golf amateur players, this paper proposes medium and long-term strategies which generally aim at increasing golf courses' overall revenues, attract foreign tourist players and reduce operating costs.

Keywords: golf, revenues, tourism, increasing.

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Introduction

Golf is a sport defined as "playing a ball with a club from the teeing ground into the hole by a stroke or successive strokes in accordance with the Rules"¹ and has become a worldwide recognised business, mainly, as a tourism product. This popularity is best seen in Europe, where there are more than 4 million registered players and around 6,810 golf courses.² In 2005, the value of the golf industry in Portugal represented 1.25% of Portuguese GDP.³ Given the potential for business around this sport, Turismo de Portugal chose, in 2006, Golf as one of 10 strategic products for the development of tourism in Portugal⁴. The country stands out in this business for having good weather throughout the year and for its good golf facilities.⁵

Golf courses in Portugal Continental can be grouped into 4 main regions: Northern Portugal, Centre Portugal, Lisbon and Algarve.⁶ The Lisbon region includes three different zones: the Costa Azul e Ribatejo, the Costa do Estoril e Sintra and the Oeste, the latter actually covering four districts (Lisbon, Leiria, Santarem and Setubal).⁷ In this region 26 golf facilities with the following composition can be found: 2 courses of 36 holes each, 2 courses of 27 holes, 14 courses of 18 holes and, finally, 8 courses of 9 holes each.⁸ The two golf courses further away from this region (the Royal Óbidos in the Oeste and Tróia Golf in the Costa Azul) can be found at approximately 130 km. At the present time, two of these courses are closed to the public: the Clube de Golfe da Belavista (Lisbon) and Quinta do Brinçal.

¹ USGA, Rules and Decisions. Rule 1. The Game, 1-1 General

² KPMG, Golf participation in Europe 2013

³ PINTO RIBEIRO, João. 2006. "O Golfe no Norte de Portugal – Uma Perspectiva Motivacional. Universidade de Aveiro

⁴ TURISMO DE PORTUGAL, 10 produtos estratégicos para o desenvolvimento do turismo em Portugal

⁵ Opinion shared by all interviewees of this project

⁶ Deloitte. Relatório Anual do Golfe 2010

⁷ TURISMO DE PORTUGAL, 10 produtos estratégicos para o desenvolvimento do turismo em Portugal

⁸ www.portugalgolf.pt

The golf industry in the Lisbon region has been registering consecutive negative GOP's, with a clear downward trend between 2007 (-85,931€) and 2010 (-326,165€).⁹ The goal of this thesis is to show how carefully planned measures, to be implemented in different stages, could help reversing this trend. In order to better understand how could this be achieved, and to take into consideration the real conditions of the golf sector in Portugal, different tools are employed: questionnaires to national golfers, interviews to people with sound knowledge of the sport and its industry, analysis of the current practices of similar and concurrent markets, and reports on the state of the golf industry performed by different consultancy firms.

Methodology

In this study, several tools were used to extract the maximum relevant information in order to better understand the industry, the different stakeholders' perspectives and to propose well-based recommendations.

Four distinct stakeholders were interviewed: Pedro Mello Breyner, CEO and Club Manager of Quinta do Perú & Country Club for the last 20 years, Carlos Cortês, former CEO of ESPART, SGPS for 6 six years (2006-2012), Ricardo Gonçalves, Board Member at HOTI Hotéis and former Senior Manager of Deloitte and Keith Barrett, Head Pro at Belas Clube de Campo.

A questionnaire comprising 42 questions was made with the main objective of characterising the Portuguese amateur golfers, understand their motivations and their level of interest for new ideas to streamline the practice of golf. The questionnaire also contemplated specific questions for people who have never played golf. Altogether 465 responses were achieved, divided among 277 from golfers and 188 from non golfers.

⁹ Deloitte. Relatório Anual do Golf 2010

Several studies and documents were consulted, works not only from organisations interested in the industry (Turismo de Portugal) but also produced by advisory companies such as KPMG and Deloitte.

Despite the lack of literature on this topic, I consulted management and marketing authors to better understand the concepts and lend expertise my recommendations.

Problem

The main problem faced by the golf industry in the Lisbon region is the low number of rounds played per course. In fact, a 2010 report (jointly elaborated by Deloitte and CNIG¹⁰) shows that, on average, a golf course in the Lisbon region registers 16,421 rounds. This number unfavourably compares to the average values for the golf courses in Algarve (the most profitable golf region in Portugal) and in the entire South East Mediterranean, which reach 28,210 and 23,100 rounds, respectively.

Characterising the rounds of golf

The abovementioned values comprise two types of rounds golf: the membership and the green fees rounds of golf.¹¹ Membership rounds consist of all the rounds that the golf course annual members played, considering that these members pay an annual fee which allows them to play the amount of times they wish, with no extra cost attached. On the other hand, all the players which are not members of the golf course (tourists, members of other golf clubs, etc.) must pay a green fee to play either 9 or 18 holes in one day. Therefore, whilst in the case of annual memberships an additional round yields no extra revenue, all green fee rounds represent additional revenue for the golf course. A further comparison between the three previously mentioned golf regions reveal

¹⁰ CNIG – Conselho Nacional da Indústria do Golfe

¹¹ Based on my own experience

significant disparities in the weight of each type: whereas in the Lisbon region green fee rounds and membership rounds respectively represent 56% and 44%, for the Algarve region the split is clearly tilted towards green fees (84% to 16%)¹², and in an even more pronounced way for the whole South East Mediterranean (90% to 10%), according to KPMG data¹³.

Taking into account that green fees rounds of golf are a good proxy of non-regular visitors to the course, it is worthwhile comparing different regions in terms of the origins of its green fees players. The Deloitte report shows that in 2010, on average, 65% of the green fees rounds in Lisbon were played by Portuguese nationals, whereas for the Algarve region only 7% of its players were Portuguese. It can therefore be concluded that the golf industry in the Lisbon region to be highly dependent on the internal market, since: i) 44% of the golf rounds are played by golf course annual members, of whom a majority is Portuguese; ii) from the remaining 56% rounds, 65% were played by Portuguese.

Now, given this strong dependence of the Lisbon golf industry on the internal market, it is important to analyse the statistics on golf penetration rate in this region. According to data retrieved from the Portuguese Golf Federation, the districts of Lisbon, Setúbal, Leiria e Santarém (comprising the Lisbon Region) account for 5,485¹⁴ associated players, which considering a total population of 4,020,047¹⁵ people amounts to a penetration rate of 0.14%. This contrasts with the Faro district, which in 2011 already had 4,599¹⁶ golfers for a total population of 450,484¹⁷ people, thus representing a penetration rate of 1.02%. If we consider Europe, a KPMG study indicates the existence

¹² Deloitte. Relatório Anual do Golfe 2010

¹³ KPMG. Golf Advisory Practice in EMA. Country Snapshot: Greece

¹⁴ Federação Portuguesa de Golf – Praticantes de Golf 2012

¹⁵ INE – Censos 2011

¹⁶ Federação Portuguesa de Golf – Praticantes de Golf 2012

¹⁷ INE – Censos 2011

of 4,389,740 golfers, a figure that represents 0.73% of the total European population¹⁸. This simple data comparison suggests that, despite the strong dependence of the number of rounds of golf upon the internal market, the Lisbon region denotes a low golfers penetration rate. Furthermore, given the strong incentive laid to annual memberships in this business model, it is also important to compare the number of golfers relative to the number of golf courses. A simple overview reveals that the Lisbon Region has an average of 210 potential members per golf course (more precisely, 5,485 golfers for 26 operating golf courses), a modest value when compared to other markets such as the UK (514 golfers per golf course), or to the value suggested by some specialists to be the lowest to guarantee profitability of a golf course (645)¹⁹. There is yet more to extract from the analysis of paid rounds of golf: it is possible to compare the average price of the golf courses within the Lisbon Region and Algarve. Indeed, it is a common feature of the pricing strategy of golf courses to set seasonal prices, splitting the year in peak seasons (spring and autumn) and low seasons (summer and winter). On average, a golf course in the Lisbon region charges 67€ for a peak season 18 holes green fee, and 47.9€ for a similar green fee during the low season²⁰. In the Algarve region, the average peak season price of 18 holes round of golf is 90.5€, and 64.1€ during the low season. This gap between the average prices of both regions adds further evidence to the claim that the golf industry based in the Lisbon region faces a problem of revenue raising.

Characterising the financial situation of golf courses

The Deloitte 2010 Golf Report indicates that the average green fees revenue of a golf course in the Lisbon region is 217,379€, being the most important component (35.9%) of the total revenue (605,358€). The second largest component (33.1%) is the annual

¹⁸ KPMG. Golf participation in Europe 2013

¹⁹ <http://www.golfclubmanagement.net/2011/12/the-state-of-english-golf-clubs/>, 9th December 2013

²⁰ Deloitte. Relatório Anual 2010

membership revenue (reaching 200,469€, on average), corresponding to the annual fees paid for the membership of a specific golf course. The food and beverages (10.6%) and the renting of buggies, trolleys and golf clubs (9.6%) are the indirect revenue which account for the largest share of the total revenue. However, under the same accounting heading, one can observe, in Algarve, the weight of average green fees revenue is 51.6% of total revenue, or 784,743€ in absolute value. It should be noted that the average total revenue of Algarve golf courses is significantly higher than of their Lisbon region counterparts: a golf course in Algarve raises an average of 1,520,091€ (2.51 times larger than the average value for Lisbon region golf courses). Regarding annual membership revenues, they also constitute the second most important revenue source (19.6%), although relatively less weighty than for the Lisbon golf courses. In what concerns indirect revenues, the renting of equipment represents 11.9% of total revenue, ahead of food and beverage (9.6%), which might be due to the significant presence of tourists, naturally more willing to rent equipment they were unable to bring from country of origin, in the Algarve golf courses.

The average cost of a golf course in the Lisbon region is 931,523€, of which 399,039€ are personnel costs (42.8%). The Deloitte 2010 report indicates item Other Costs as the second more relevant (18.7%) followed by Others ESS²¹ (14.0%) and maintenance (11.8%). The Algarve's courses cost structure is similar to Lisbon ones: personnel costs weight 47.6% and Other Costs 18.8% of the total costs. In absolute values, this means that personnel costs are 715,833€ leveraging the total costs to 1,505,304€. The difference of personnel costs between Lisbon and Algarve can be explained by the registration fees of people who work in indirect activities such as catering and pro shop, a consequence of the higher turnout of tourists.

²¹ ESS – External Services and Supplies

Thus, on average, the financial situation of golf courses in the Lisbon region seems to be highly unfavourable, as they operate with an average Gross Operating Profit of -326,165€ (a -54% profit margin). On the contrary, the Algarve golf courses present an average GOP of 14,787€, representing a 1% profit margin. Hence, from the combination of this financial analysis with the previous information on the type of rounds of golf sold by golf courses in both regions, one can safely conclude that the main driver of these results lies in the capacity of the Algarve golf courses to generate variable revenue, i.e., to sell green fees.

Characterising the golf courses

The National Golf Foundation defines a golf course as “a set of at least 9 separate holes and not more than 18 holes and may be of regulation, executive or par-3 length.” These can be split into three different types: Private Golf Course, “a golf course where play is restricted to members and their guests”, Daily Fee Golf Course, “a golf course that is privately owned but provides at least limited public access and which may or may not offer memberships or annual passes” and Municipal Golf Course, “a golf course that is owned by a tax-supported entity such as a city, county, state, school, park district or other special tax district”. The NGF further splits golf courses into seven different categories: Just Golf, Military, Park District, Real Estate Development, Resort/Real Estate Development, Resort and University.

Almost all golf courses in the Lisbon region are Daily Fee Golf Courses (with the exception of the new golf course in Jamor, belonging to the Portuguese State). In addition, it is possible to characterise the available golf courses by subsequent categories: according to most interviewees, most golf courses in the Lisbon region are Real Estate Development Courses, while some can be considered to be Resort/Real

Estate Development Courses, due to the presence of a hotel in the proximity of the course (Quinta da Marinha Golf, Praia D'El Rey Golf & Beach Resort and Beloura Pestana Golf Course). Besides these two groups, there are yet other golf courses which may be characterised as Just Golf, such as the Lisbon Sports Club or the Ribagolfe. Comparing to the Lisbon golf courses, the Algarve ones differentiate themselves by falling in the category Resort Golf Courses, which results in the greater availability of golf courses with increased tourist potential, due to the combined offer of accommodation and golf course within the same facilities. The Real Estate courses are also characterised by not having hotels included in their facilities and, in the case of Lisbon, by spreading within a radius of 60 km. This contributes to limit the tourist potential due to the difficulty in controlling the quality of the nearest hotels and increased transportation costs.

Difficulties in increasing the number of rounds of golf per resident

Portugal experienced a steady growth in the number of golfers until 2005, when it reached a peak of 15,852²² associated players. However, a drop in the number of golfers has been recently observed, which places Portugal as the 16th European country with the most golfers, with 14,655 golfers in 2011.²³

The desired increase in new golfers is also hindered by the low standards in terms of sporting activities by most Portuguese, since 55% of the population is estimated never to have practiced a sport.²⁴

²² PORDATA – Praticantes desportivos federados

²³ KPMG. Golf participation in Europe 2013

²⁴ EXPRESSO ONLINE - <http://expresso.sapo.pt/mais-de-metade-dos-portugueses-nunca-pratica-desporto=f573609>, 9th December 2013

Another limiting factor of the emergence of new golfers is the low average monthly income in Portugal (1,078€), ranked 18th in Europe and well below the European average (1,936€).²⁵

Lisbon is not a golf destination

As previously mentioned, golf courses in the Lisbon region collect less revenues from rounds of golf played by tourists than their Algarve counterparts. This might be due to the following causes:

- The little relevance of golf during Lisbon stays – According to the 2012 Inquérito Motivacional²⁶ from the Lisbon Tourism Observatory, 43.7% of the interviewees declared they wished to do a *city break*. The Meeting Industries segment was responsible for 12.4% of the visits, and personal businesses for 10.5%. Golf represented only 1% of the preferences, ranking only as the 10th most relevant product.
- The distance between hotels and golf courses – several golf courses in the Lisbon region not only do not possess an integrated hotel, but are also considerably far away from the existing 4 and 5 star hotels.
- The near absence of a low season in the demand for tourism in Lisbon – One of the factors pointed out by the interviewees as a possible explanation for the success of the golf industry in Algarve is indirectly related to the main product of this region – “Sun and Sea”. The reasoning is as follows: due to the seasonal nature of this product, the Algarve hotel industry is able to generate significant revenues and high occupation rates in the summer, allowing them to reduce

²⁵ VISÃO ONLINE - <http://visao.sapo.pt/quem-sao-os-europeus-com-melhores-e-piores-salarios=f731630>, 9th December 2013

²⁶ Observatório do Turismo de Lisboa – Inquérito Motivacional 2012

overnight prices during the rest of the year. Because the demand for tourism in Lisbon is less seasonal, the hotels located in the Lisbon region have lower incentives to decrease the overnight price during the golf peak-season (spring and autumn).

How are golf courses trying to increase internal revenue

As already shown in the previous revenue structure analysis, there is a relatively stronger commitment to attract annual members, as they bring a steady income flow to the golf courses. These golfers acquire the right to play, at no extra cost, in the club of which they become annual members; nevertheless, this grants them the right to play in one club only, which can have a maximum of 2 golf courses, as in the cases of the Aroeira, Ribagolfe, Penha Longa and Estoril clubs. These annual fees have an average base price greater than 750€²⁷. As previously noted, a player who wishes to play in another course must pay on average 67€. In 2013, however, a differentiated product based on a Product-form pricing²⁸ strategy was introduced, with its commercialisation set to start in 2014. This offer is called Horizonte Lisbon Golf and it stems from the creation of a Knowledge Exploitation Fund (Greendrive) comprising 5 golf clubs: Aroeira (2 courses of 18 holes each), Quinta do Perú (18 holes), Ribagolfe (2 courses of 18 holes each), Santo Estevão (18 holes) and Oeiras Residence (9 holes). This new offer differentiates itself for proposing 5 different product types: *All-in-one*, *Albatross*, *Eagle*, *Birdie* and *Par*. Naturally, these products entail different prices and subscription conditions. For example, the *All-in-one* has an annual cost of 1,380€ (a price charged by several clubs possessing one course only), and it allows the subscriber to play in the 7 golf courses included in the offer whenever desired, at no extra cost. This product yet

²⁷ Based in a Benchmark of 10 golf courses in Lisbon

²⁸ Product-form pricing - "Different versions of the product are priced differently, but not according to difference in their costs". KOTLER, Philip. Principles of Marketing

requires the purchase of an individual member certificate, at a cost of 4,000€, which meets the interests of golfers seeking not only the opportunity to play in a number of courses but also wishing to belong to a restricted group of people. For the players looking for a more affordable product, one possibility is the *Eagle*. Costing 1,020€, it does not require the purchase of an individual member certificate, and the subscriber may play in the 5 courses included in the offer, again at no extra cost (2 of them belonging to Aroeira, 2 to Ribagolfe and one to Santo Estevão). However, if the subscriber wishes to play in Quinta do Perú or in Oeiras Residence he or she will have to pay an additional fee of 20€ and 5€, respectively. This product is targeted to players who want to play frequently in a variety of golf courses at the lowest possible cost. Lastly, the most affordable one is the *Par*, which presents a cost of only 300€. It allows its subscribers to play in Oeiras Residence at no extra cost, and in other courses for an additional fee ranging from 20€ to 35€. As one might expect, this option will secure a wider acceptance on the part of beginners, who may this way play their first rounds of golf in a 9 holes course, and occasionally play in an 18 holes course for an accessible price.

Recommendations

After the analysis done in this report, there are several feasible recommendations that could positive affect the profitability of the golf courses of Lisbon. Having identified the problem as the cause of the low number of golf rounds played in this region and consequent poor ability to generate revenue, the main recommendations proposals seek to increase paid rounds of golf in these courses, being grouped between rounds of golf tourists and rounds of residents complemented by policies to reduce cost. The table below summarises the recommendations detailed later.

Table 1 - Recommendations

	Medium Term	Long Term
Tourists Revenue	Golf + Hotel Packs Integrated Promotion abroad	Lisbon as golf destination
Residents Revenue	Tiered pricing strategy Attracting families	Bring young people to golf
Cost Efficiency	Integrated Management	NA

Golf + Hotel packs

This recommendation would require putting forward a complete package especially targeted for tourists, including overnight accommodation in 4 or 5 stars hotels, breakfast and dinner, rounds of golf in different courses, and transport services between the hotel and the golf courses, and, as such, it would address the issue explained above related to the strong dependence of the Lisbon golf industry on the internal market.

The main objective here is to increase the competitiveness of golf services supplied to tourists in the Lisbon region, both in its price and subscription conditions, when compared to the golf resort facilities in Algarve, Costa do Sol and Turkey. In order to implement this action, a necessary step will be to find companies willing to assume responsibility for the mediation of the partnership between hotels and golf courses, and to consequently set the main characteristics of the commercialised bundles (dependent on the number of nights, the hotels and the golf courses to integrate the offer). Additionally, these companies should be responsible for promoting this offer via the specialised sales channels, by focusing on the differentiating factors: on the one hand, the variety of courses both in terms of layouts and of difficulty of play; and on the other hand, the complementary tourism possibilities the city has to offer, which can be enjoyed by players once they finish their rounds of golf, as well as by their accompanying family and friends. On the downside, this measure will expectedly face a major obstacle: the difficulty in creating a competitive price, when compared to the

“Sun and Sea” tourism regions, due to their having a peak-season (summer) not coinciding with the golf peak seasons (spring and autumn). Due to Lisbon’s positioning as a *city break* destination, the seasonality is there less pronounced, which consequently incentives the hotels not to decrease the overnight accommodation price during golf peak-seasons. For this reason, this price should only become competitive provided the golf courses are willing to substantially decrease the green fee of these packages, which should yield no adverse on the current revenue, already hindered by the low occupation rates of these golf courses and the low number of tourists currently using this service. Finally, setting a competitive price might become an even more complicated task, as one includes the transportation costs between hotels and golf courses. To conclude, it should be stressed that goal of this measure is to bring the revenue structure of the average Lisbon region golf course closer to that of other courses in Europe and Algarve, for which the variable revenue often represents 70% of total revenue.

Integrated promotion of golf courses abroad

Apart from the aforementioned recommendation, the promotion of Lisbon region golf courses in an integrated fashion region should be pursued, through specialised fairs and sales channels, therefore avoiding the scattered and often ineffective marketing promotion developed by each golf course owner or promoter. The main goal of this recommendation is to improve the foreign perception of Lisbon golf courses, by focusing on their layout richness and on the variety of difficulty of play available in these courses, also addressing the issue related to the dependence of the Lisbon golf industry on the internal market. Moreover, this type of advertising would help reducing the industry’s overall costs through the resource sharing encompassed by the integrated method.

This integrated promotion of golf courses may be more easily achieved by means of carefully defined and implemented promotion strategies designed by a newly created team, of which the target markets, fairs to participate in and type of medium are key factors. It is advisable to jointly consider, as a criterion for choosing the target markets, the number of players and the average price of low costs flights to and from these countries. Under this criterion, an attractive set of countries would be composed of those having more than 100,000 players and cheapest flight prices below 150€. As can be seen in the table below, by adopting this rule the chosen countries would be the UK, Ireland, Germany, France, Netherlands and Spain.

Table 2 – Number of golfer per country and price of cheapest flight to Lisbon

Country	Golfers	Cheapest flight ²⁹
UK & Ireland	1.326.663	96
Germany	610.104	129
Sweden	491.401	291
France	407.530	110
Netherlands	351.640	137
Spain	328.495	75
Denmark	151.185	217
Finland	142.184	NA
Norway	121.736	284
Austria	104.490	405
Italy	100.548	226

The main risk entailed by this proposal concerns the possibility of some golf courses following the ever present incentive to deviate from this strategy, enticed by the promise of higher short-term returns if deciding to promote their course alone.

Turning Lisbon into a golf destination

The final suggestion drawn to increase the number of tourist golfers in Lisbon requires a greater investment effort in order to promote the city as a top golf destination. For this

²⁹ Values computed based in an internet search at 31st December 2013 for flights from countries' capitals between 6th April 2014 and 13th April 2014

purpose, an investment allocation targeting the promotion of the golf industry, on the part of Turismo de Portugal and Turismo de Lisboa, would be created, which should include funding of European Tour tournaments, payment of appearance fees to some world top players and diverse media promotion. More specifically, this set of measures could consist of hosting an annual European Tour tournament in the Lisbon region, being held at a different golf course each year, and paying an appearance fee to one of the world's top players (for example, Tiger Woods or Rory McIlroy) – in 2013, Turkey paid 3 million US dollars for Tiger Woods to play a Turkish tournament and to participate in a marketing action which basically consisted of him clubbing some golf balls at the Bosphorus Bridge, a well-known regional landmark, an initiative that indeed managed to grab worldwide media attention³⁰.

Despite its strengths, some of the major risks faced by this recommendation involve the need for substantial private investment, which in the current economic situation is difficult to attract, as well as a predictable low short-term impact and an uncertainty in adequately forecasting the return on investment. By adopting this recommendation one could expect a week of intense coverage from specialised media located in Lisbon, along with some mass media coverage, depending on the relevance of the acts promoted for and in relation to the tournament.

Tiered pricing strategy

It would consist of changing the pricing strategy of the annual into Product-form pricing³¹. This new strategy should focus on finding the different types of golfers present in the Lisbon region: the ones wanting to join a club, the ones wishing to play

³⁰ i.e. <http://www1.skysports.com/golf/news/12230/9011151/turkish-airlines-open-tiger-woods-performs-incredible-stunt-on-the-bosphorus-bridge>

³¹ Kotler, Philip. Principles of Marketing

frequently at the lowest possible cost, the ones intending to play in various golf courses, beginners, etc. Following the example currently being set by the offer Horizonte Lisboa Golfe, and considering that it is mostly being offered in golf courses to the south of the Tagus River, my recommendation is to replicate in the entire Lisbon region: Costa do Estoril and Sintra (Penha Longa, Golf do Estoril, Lisbon, Belas, Oitavos, Quinta da Marinha, Quinta de Beloura) and Oeste (Praia d'El Rey, Bom Sucesso, Royal Óbidos, Campos Real e Quinta do Brinçal).

The biggest risk this project faces is related to the requirement of getting the different golf courses owners to agree on the ones to be included in this offer, a task that may prove to be complex. However, this obstacle may be addressed by setting a working capital fund, responsible for the exploration of all the golf courses included, to be jointly held by all the different owners.

Attract families to golf

Given the low penetration rate of golfers in Lisbon, it is important to consider how to attract new players. KPMG presented a study³² of the composition of golfers in Europe and it seems that Portugal is the 4th country with most male golfers (73%) as a percentage of the total players. The remaining 27% is divided between women (18%) and youth (9%). Using data from FPG³³ one finds that in Lisbon the weight of the number of male golfers' increases to 80% which may indicate an opportunity to increase golfers by encouraging more women to play, which currently represent only 14% of the players.

Appealing once again to the Horizonte offer which on this matter is coherent with the past, spouses receive a discount of 20%, an attractive value for a couple of golfers but

³² KPMG. Golf participation in Europe 2013

³³ Federação Portuguesa de Golf

that might not be enough to attract non-golfers spouses to start playing. It is recommended that the discount should exceed 50%, which will impact 14% of current revenue but should leverage new revenue through the entry of more players.

In the medium term this measure should approximate the composition of golfers from Lisbon to Europe where women represent 22% of all players. For the total area of Lisbon this percentage equates to 1,203 players which would result in an increase of 436 new players. This measure could also have a knock-on effect since if there are more couples playing golf, there is a greater propensity for the children also to play.

Increase the number of green fee rounds played by Portuguese residents

Golf clubs with course should implement activities and promotions to incentive players to pay more green fees rounds. The aim is that these players who already generate fixed revenue for clubs contribute even more with variable revenue. To this end, it is recommended that fields seek to foster competition within the sport and begin to adopt similar promotions to what is practiced in various industries.

In a question about golfers' characterisation in the survey I conducted to the Portuguese players, 68.82% of the players which are also members of a golf club with course claim that the main reason to play in other golf courses is participation in tournaments. Note that these tournaments often require a registration fee. In another question, 70.98% of golfers said they would like to represent their club more often in tournaments even if they had to pay a reduced amount. The golf courses have an opportunity to attract more players at no additional cost by simply organising such amateur tournaments.

Golf clubs in the region of Lisbon should start practicing similar promotions used in other industries and that may also be a driver of variables revenues. In the survey I undertook, I tried to measure what is the level of acceptance of golfers for this type of

promotions. According to the answers supplied the first practice would be a Patronage rewards³⁴ since 82.74% of surveyed golfers showed up at least interested in joining a loyalty card where after 4 rounds paid in the same course receive a free green fee. The second practices is a kind of seasonal discount³⁵ but focused in the daytime hours since 6.86% of people in the same sample considered interesting playing at a reduced price at less attractive times of the day (afternoon). A third recommended practice would to be apply promotional pricing³⁶ since 83.14% of people considered at least interesting to receive Last Minute promotions on Friday to play in next weekend. The last recommendation is to practice a product-bundle pricing³⁷ since 61.96% of golfers also found interesting at least pay a reduced price for a bundle composed of green fee plus lunch.

It is hoped that these measures increase the number of rounds that national golfers play outside their club and consequently to increase the weight and value of the industry's variables revenues.

Bring young people to golf

Critical to the growth of the sport, especially in the long term, young people remain skeptical about golf. This is not an exclusive concern of Portugal, according to KPMG³⁸ there has been a decline in the number of young golfers, slightly across all Europe. In their yearly published report, KPMG gives a special focus on recommendations to

³⁴Patronage rewards - "cash or other awards for the regular use of a certain company's products or services". KOTLER. Philip. Principles of Marketing

³⁵ Seasonal Price – "A price reduction to buyers who buy merchandise or service out of season". KOTLER. Philip. Principles of Marketing

³⁶ Promotional Price - "temporarily reducing prices to increase short-run sales". KOTLER. Philip. Principles of Marketing

³⁷ Product-bundle Pricing "combining several products and offering the bundle at a reduced price"

³⁸ KPMG. Golf participation in Europe 2011

increase the number of young people in sport, using practices already implemented by some countries within or outside Europe and which can be applied in Portugal.

“In this context it is crucial to find creative ways to make the game more fun and more accessible, as well as to raise awareness of the sport among young players.”³⁹ The company advanced some suggestions: “Netherlands has a non-profit organization aimed at 8-12 years-old, Kids4Golf, providing fun golf events in public recreation areas”,⁴⁰ “a good example in the USA can be the «Drive, Chip and Putt Championship» format, which is a free, nationwide junior skills competition that will conclude at Augusta National Golf Club in 2014.”⁴¹

These are some examples of activities that the golf clubs in Lisbon must begin to implement in order to give fresher and more exciting image of the sport and to increase the chance of getting more young players.

Cost efficiency

Although the issue of profitability of the golf industry in the Lisbon region is mainly due to the poor ability to generate revenue, there is the opportunity to reduce costs through integrated management of the several courses. According to Pedro Mello Breyner, Greendrive administrator and director of Quinta do Perú, the two most relevant types of cost are: Personnel and Maintenance, as evidenced in the Deloitte report. The officer began by stating that the most obvious advantage is that the integrated management of courses allows to growth in size and economies of scale in purchasing the various products and services they need for the activity: fertilizers, pesticides, fuel, etc.. Pedro Mello Breyner also said that it is also possible to save in relation to

³⁹ KPMG. Golf participation in Europe 2011

⁴⁰ KPMG. Golf participation in Europe 2011

⁴¹ KPMG. Golf participation in Europe 2013

equipment maintenance, since some machines are require seasonal intervention and can be shared by multiple courses. In relation to staff costs, the manager said that it is possible for courses to share certain specialists such as greenkeeper, mechanic or water technician. As previously mentioned, integrated management also helps to reduce promotional costs since the courses cease to promote themselves only by allowing a single entity to sell a set of courses abroad. This movement helps rationalize transport costs, trade exhibitions spaces, merchandising items, etc.

The recommendation will be to extend this integrated management for the largest possible number of courses. Carlos Cortês, former CEO of ESPART, said that despite not believing this to be enough to solve the problem, it can possibly reduce industry costs between 15% and 20%.

Conclusion

The golf industry in the region of Lisbon is in a difficult financial situation due to its high dependence on the domestic market and weak attractiveness to foreign market. Today there is a first disruptive movement of some golf courses that started to work together in order to have better conditions to their members and to reduce costs. It is important that the remaining golf courses of Lisbon are included in this type of management, resulting in the enhancement of a series of activities that will increase the number of not only domestic but also foreign golfers.

This project puts forward several recommendations could positive affect the profitability of the golf courses of Lisbon: create golf plus hotel packs and promote golf courses integrated abroad, turn Lisbon into a gold destination, tier pricing strategies, attract families and young people to golf and rationalize costs.

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Interviews

- Dr. Pedro Mello Breyner, CEO and Club Manager of Quinta do Perú & Country Club
- Dr. Carlos Cortês, former CEO of ESPART, SGPS
- Dr. Ricardo Gonçalves, Board Member at HOTI Hotéis and former Senior Manager of Deloitte
- Mr. Keith Barrett, Head Pro at Belas Clube de Campo

Appendix – Several examples of data obtained in questionnaire

Question	Answer Options	Resp Percent	Resp Count
Sexo	Masculino	77%	358
	Feminino	23%	107
Idade	Menos de 18 anos	1%	4
	18 - 25	10%	47
	26 - 35	28%	130
	36 - 45	19%	86
	46 - 55	23%	107
	56 - 65	13%	62
	Mais de 65 anos	6%	29
Joga Golfe?	Sim	60%	277
	Não	40%	188
Porque não joga golfe?	Não tenho tempo	18%	32
	Financeiramente inviável	21%	39
	Não gosto da modalidade	32%	59
	Até gostava de experimentar mas não sei como	29%	53
Começaria a jogar golfe sozinho ou apenas com a companhia de amigos?	Apenas com amigos	77%	141
	Podia ser sozinho	23%	42
Com que frequência costuma jogar uma volta de golfe de 18 buracos?	Ocasionalmente	15%	41
	1 vez por mês	12%	34
	2 a 3 vezes por mês	24%	66
	1 vez por semana	23%	63
	2 vezes por semana	19%	52
	3 ou mais vezes por semana	8%	22
Com que frequência costuma jogar fora do seu Home Club?	Nunca	2%	4
	Ocasionalmente	45%	76
	Cerca de 1 vez por mês	17%	28
	Cerca de 2 vezes por mês	15%	25
	Mais do que 2 vezes por mês	22%	37
Está disposto a jogar golfe em horas menos atractivas do dia por um green fee mais reduzido?	Não, só gosto de jogar de manhã	23%	59
	Sim, não tenho problema em jogar da parte da tarde.	77%	196
Consideraria interessante receber promoções para jogar num campo de golfe com preços "Last Minute" divulgados à 6ªfeira para o fim de semana seguinte?	Não, consideraria SPAM	17%	43
	Sim, consideraria interessante	60%	152
	Sem dúvida que sim	24%	60